

Message Text

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ACTION AF-18

INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02

COME-00 DODE-00 EB-11 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SPC-03 SS-20 STR-08 TRSE-00 SWF-02 AGR-20

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FM AMEMBASSY BLANTYRE

TO SECSTATE WASHDC 6904

INFO AMEMBASSY NAIROBI

AMEMBASSY MBABANE

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NAIROBI FOR REDSO/EA

MBABANE FOR OSARAC

E.O. 11652: N/A

TAGS: EAID, ECON, ENRG, MI

SUBJECT: MALAWI PERCEPTION OF ENERGY SITUATION

1. GOM CONCERN OVER IMPACT OF ENERGY SITUATION REFERRED TO BY
PRESIDENT BANDA MARCH 12 IN OPENING BUDGET SESSION OF PARLIAMENT
AND BY MINISTER OF FINANCE MATENJE MARCH 15 IN PRESENTING BUDGET.

2. PRESIDENT SAID WORLD OIL SHORTAGE IS HAVING SERIOUS EFFECTS
ON ALL COUNTRIES, INDUSTRIALIZED AND DEVELOPING, BUT FOR OBVIOUS
REASONS HAVING A GREATER EFFECT ON LATTER, OF WHICH MALAWI IS ONE.
"AS I SPEAK NOW WE HAVE NOT AS YET BEEN GREATLY AFFECTED...BUT
UNLESS SITUATION CHANGES, UNLESS OIL PRODUCING AND EXPORTING
COUNTRIES CHANGE THEIR MINDS AND ALLOW MORE OIL TO BE PRODUCED
AND TO BE EXPORTED, MALAWI, LIKE ALL OTHER DEVELOPING COUNTRIES,
IS LIKELY TO SUFFER FROM CONSEQUENCES OF SHORTAGE OF OIL. WE
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ARE LIKELY TO HAVE PARTICULARLY SHORTAGES IN FERTILIZERS AND SHORTAGES

OF MANY OTHER ITEMS THAT ARE BY-PRODUCTS OF OIL." THIS YEAR CROPS HAVE BEEN GOOD BUT MALAWI MAY FEEL IMPACT IN NEXT CROP SEASON 1974-1975."

3. MINISTER MATENJE STATED, "ALTHOUGH PRESENT SITUATION NOT CREATED OR AGGRAVATED BY DEVELOPING COUNTRIES LIKE MALAWI AND WHILE THERE IS VERY LITTLE IF ANYTHING WE CAN CONTRIBUTE TOWARDS SOLUTION OF PRESENT PROBLEMS THERE NO DOUBT INTERNATIONAL SITUATION POSES SERIOUS RISK OF SETBACK IN OUR FUTURE DEVELOPMENT PROGRESS. VERY SHARP RISES IN COST OF PETROLEUM PRODUCTS, OCEAN TRANSPORT AND OTHER ESSENTIAL IMPORTS ALREADY ADVERSELY AFFECTING MALAWI. UNPARALLELED RISE IN PRICE INCLUDES BITUMEN FOR ROAD SURFACING. WIDESPREAD UNCERTAINTY AS TO FUTURE COST LEVELS IN MINDS OF MANUFACTURERS AND CONTRACTORS COULD LEAD TO STILL SHARPER RISES IN TENDER PRICES. RISE IN PETROLEUM PRICES COULD BRING ABOUT SLOWING DOWN IN ECONOMY OF MAJOR INDUSTRIALIZED COUNTRIES, AFFECTING MARKETS FOR EXPORTS AND THEIR ESSENTIAL CONTRIBUTIONS TO SUPPLIES OF CAPITAL FUNDS. ACTION OF U.S. CONGRESS ON IDA REPLACEMENT IS CASE IN POINT (SEE SEPTEL). PRODUCTION IN INDUSTRIAL COUNTRIES IS BEING DISRUPTED BY WIDESPREAD INDUSTRIAL DISPUTES AND SHORTAGE OF FUEL SUPPLIES, RESULTING IN SERIOUS DELAYS IN SHIPMENTS ESSENTIAL FOR DEVELOPMENT PROGRAM."

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